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THE AUTO INDUSTRY

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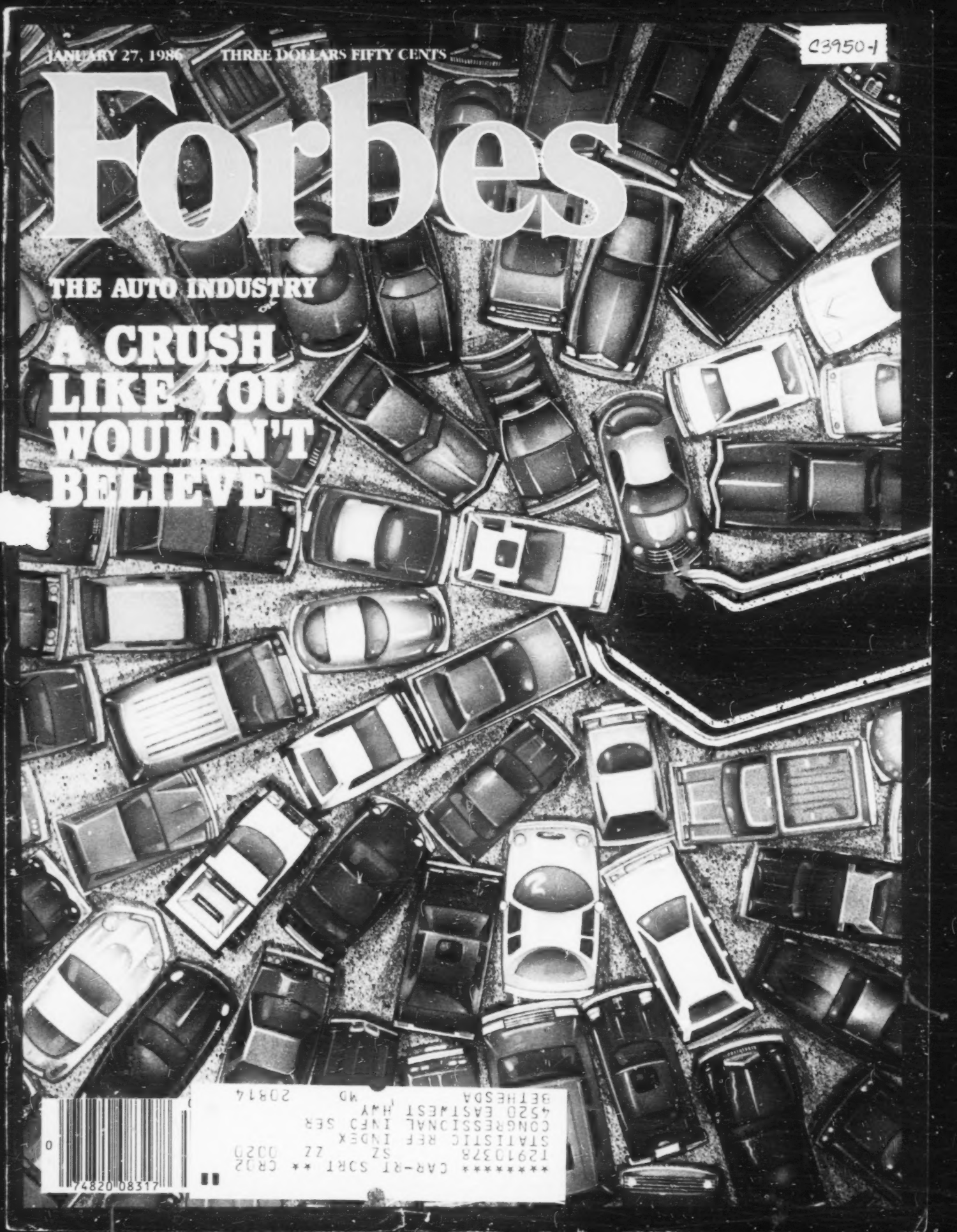

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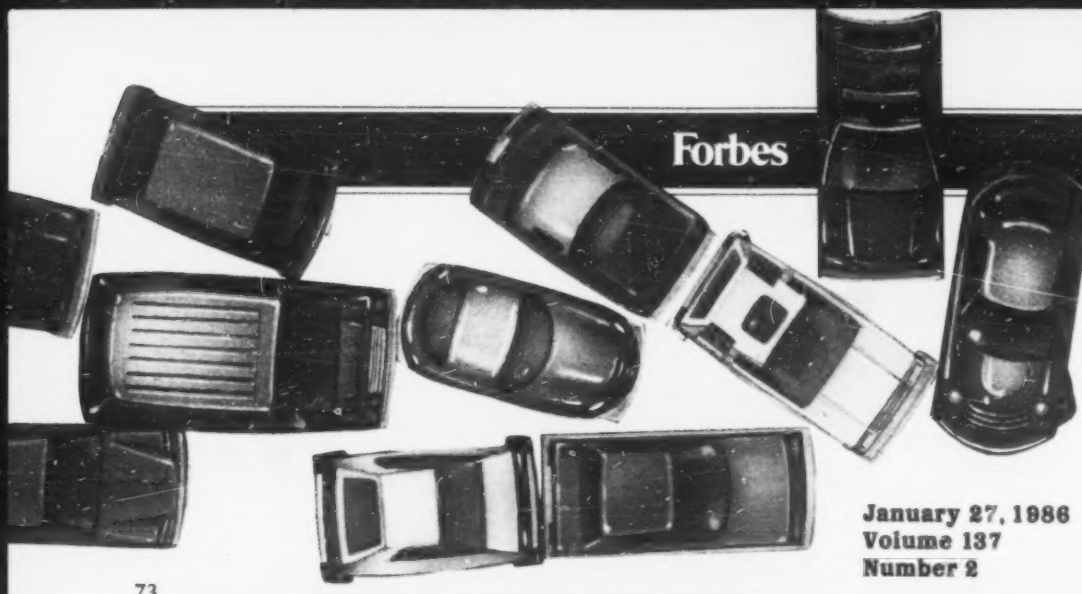

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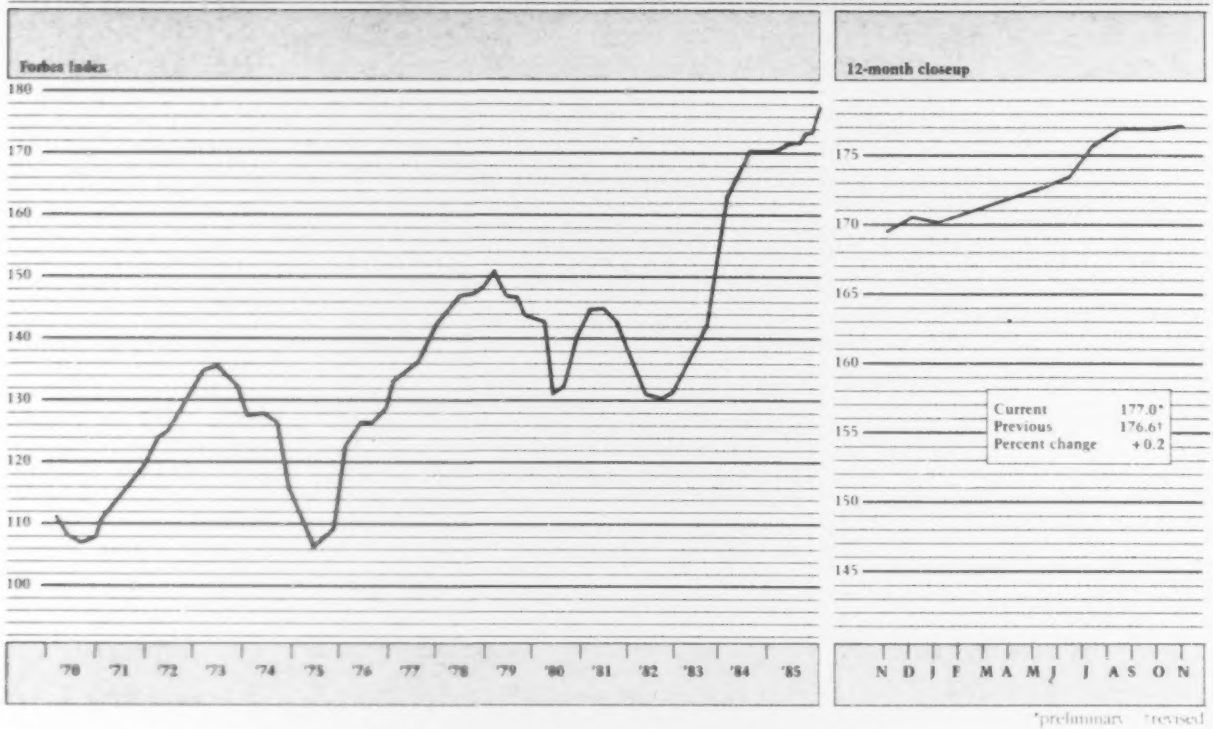
Cover illustration by Greg Couch

The Forbes Index



*preliminary †revised

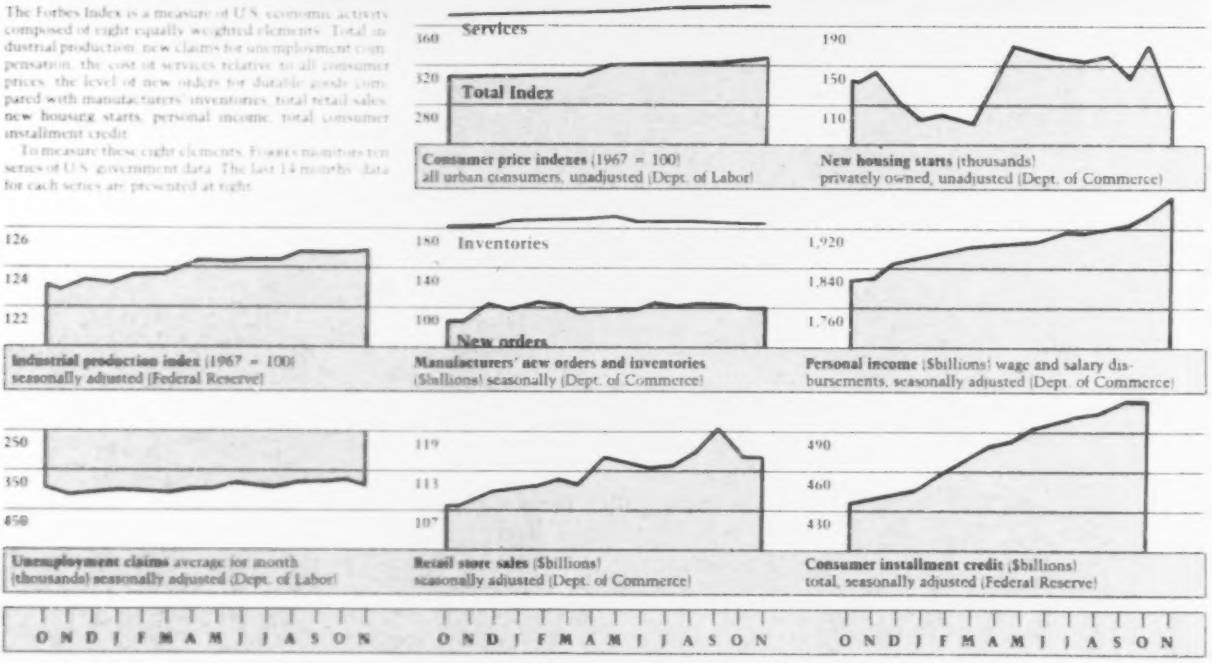
Gaining a few but important yards. One of the best-performing Forbes Index components was personal income, which registered a 0.2% jump over the previous month, after adjusting for inflation. This is the largest increase in personal income since September 1985, and it helped boost the Forbes Index 0.2% to a new high.

Traditional year-end slowdowns contributed to a decline in the ratio of manufacturers' new orders to inventories, depressing the Index. But with a falling dollar and the prospect of further cuts in the federal discount rate, new orders should rebound this year, perhaps even bringing along a reduction in the 7% unemployment rate.

The Forbes Index Components

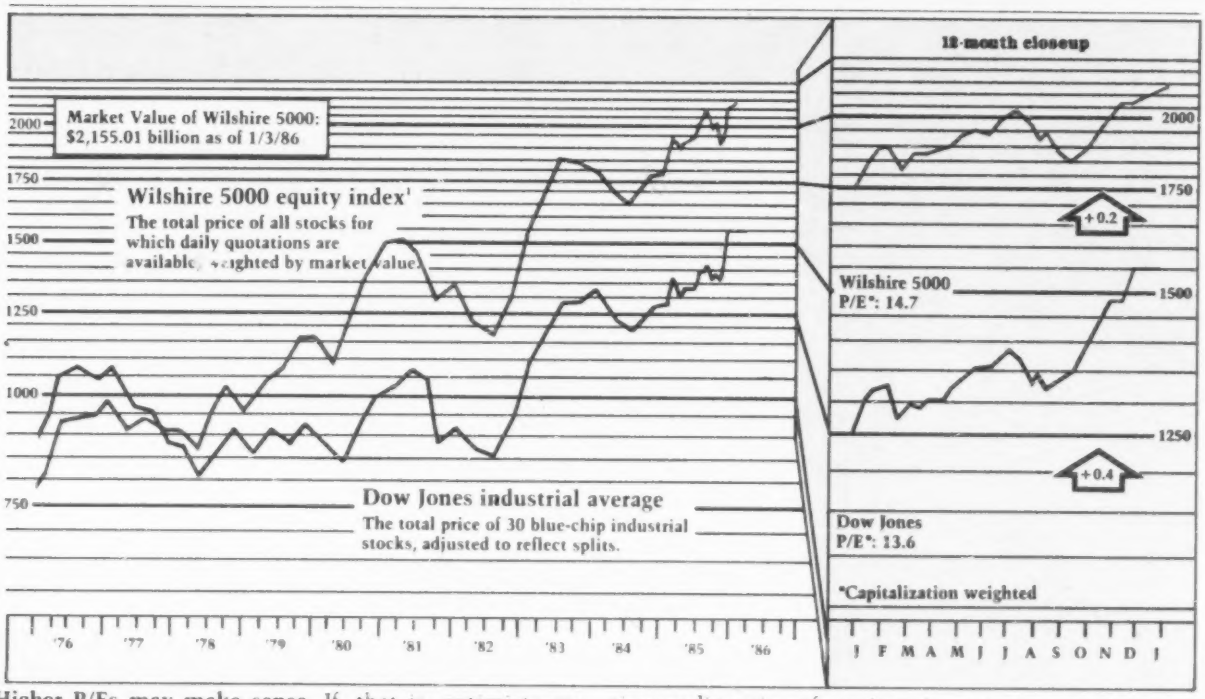
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements. Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, Forbes monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.


Services
360
320
Total Index
280
Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)
190
150
110
New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)
126
124
122
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)
180
140
100
Inventories
New orders
Manufacturers' new orders and inventories ($billions) seasonally (Dept. of Commerce)
1,920
1,840
1,760
Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)
250
350
450
Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)
119
113
107
Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)
490
460
430
Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)
O N D J F M A M J J A S O N
O N D J F M A M J J A S O N
O N D J F M A M J J A S O N

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Higher P/Es may make sense. If, that is, optimists are right about 1986 inflation. The nearly 5,400 issues that make up the Wilshire index are now selling at 14.7 times latest 12-month earnings and roughly 10 times expected 1986 earnings. When the last bull market began faltering in the summer of 1983, the P/E on the Wilshire peaked at 14.9. But this market may be different. Falling energy and commodity prices may keep the rise in consumer prices to about 3% this year, against 4% for 1983. With less inflationary distortion of earnings, investors may again accept multiples in the midteens.

The contrary view: Wall Street is overdue for a rest, and it may not take much bad news to push stocks back. Since mid-September the Dow is up nearly 250 points, while the Wilshire added more than a quarter-trillion dollars in market capitalization. During the last two weeks the Dow gained another 0.4%; the Wilshire, 0.2%. At the very least there is a case for a little profit-taking.

Closeup On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	3.7	4.0	4.9	3.9	2.0	2.9
in last 52 weeks	29.4	31.7	30.7	28.4	22.5	32.3

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	3.7	4.4	8.7	3.5	3.9	5.0	3.8	5.6	5.8	4.7	3.2	6.6
in last 52 weeks	31.5	36.4	57.5	35.5	30.6	37.6	29.2	47.8	54.8	36.9	40.9	25.7

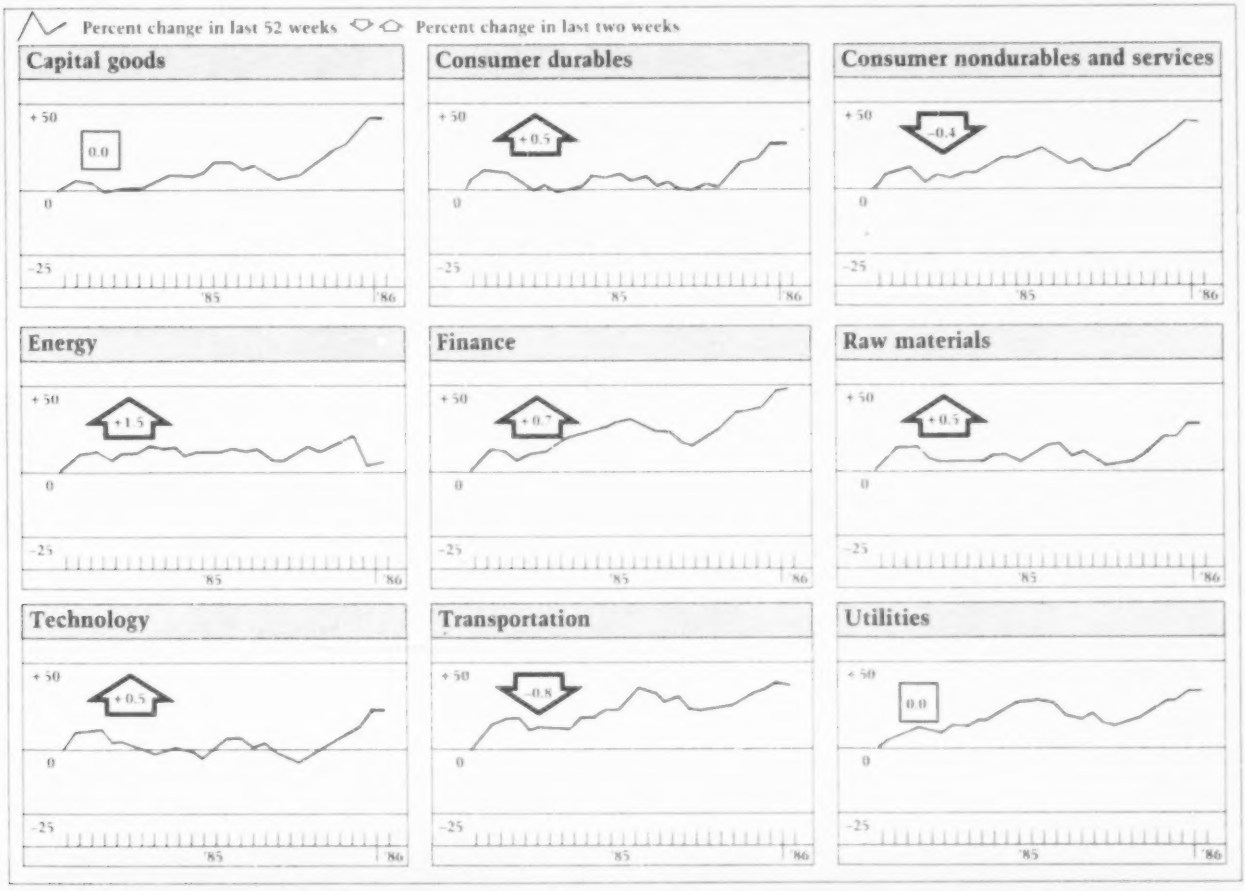
[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created.
[2]Based on sales.
[3]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[4]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 1/3/86. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

TWA's long shadow. Carl Icahn's troubles in financing his attempt to take over Trans World Airlines cast a shadow over the entire transportation sector. It brought down the share price of the fourth-biggest carrier nearly 15% in the last two weeks. That was a major factor in transportation's registering the poorest two-week performance, a loss of 0.8%.

Energy, up 1.5%, recorded the best gain. Coastal, the strongest stock in this group, rose 14%, followed by acquisition target MidCon, which climbed 13%. The second-best group was finance, which rose 0.7%. Irving Bank led this sector with a 13% gain. Consumer durables, raw materials and technology all rose 0.5%, while capital goods and utilities remained unchanged.



What The Analysts Think

What's cheap? Among the nine Wilshire sectors, three—consumer durables, energy and utilities—are now selling at little more than eight times estimated 1986 earnings. Expensive sectors are technology and consumer nondurables, with multiples of 12.7 and 12.8, respectively, of estimated 1986 earnings.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$3.18	13.7
1986 estimates	4.27	10.2
1987 estimates	3.35	11.6

Rank based on change in estimate	Sector	Estimated 1986 EPS	Estimated 1986 P/E	% change in 1986 estimate in 2 weeks	% change in 1986 estimate in 4 weeks
1	Finance	3.94	9.2	0.55	0.89
2	Consumer durables	4.33	8.2	0.41	0.27
3	Technology	2.96	12.7	0.29	-0.13
4	Energy	3.71	8.1	0.05	0.14
5	Consumer nondurables	2.64	12.8	0.03	-0.25
6	Utilities	3.64	8.4	-0.02	-0.22
7	Raw materials	2.42	11.7	-0.50	-0.94
8	Capital goods	2.86	12.5	-0.53	-1.14
9	Transportation	2.80	10.2	-1.53	-3.17

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continuously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 1/3/86. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.

Mutual funds did well in the second half of 1985—almost as well as the market—and money rolled in.

When old friends call

By Laura R. Walbert

MAGELLAN FUND Manager Peter Lynch has a time-tested market indicator. It goes:

"When I meet someone at a cocktail party, and they say, 'What do you do?' and I say, 'I run a mutual common stock fund,' and they change the subject and say, 'Oh, that's interesting. Do you have any children?'—that's usually near the bottom of the market." During the "bull phase," according to Lynch, long-lost acquaintances call and ask for stock tips.

And during the "blowout phase," as Lynch calls it, people call Lynch to give him stock tips.

Lynch has been renewing lots of old friendships lately. "I'm getting calls from people that I haven't heard from in 15 years," he says. "Usually there's a little left, but not much, when that happens."

Now that stock prices have doubled from mid-1982, most of the other experts are falling over themselves explaining why it had to happen and why the market will keep going up. People with long memories get suspicious at times like this, when nearly everybody is bullish, but retail investors haven't gotten the message. They are quite caught up in the euphoria, and are pouring cash into mutual funds—including Lynch's—faster than ever.

The average six-month performance for funds tracked in the table on page 111, excluding the bond funds, was 10.3%. That isn't quite as good as the return on the broad Wilshire 5000 index, 11.8% (both figures include reinvested dividends), but it was hard to complain about. So, the money keeps coming.

Falling interest rates helped bond funds come on strong, with an average 8.8% total return. Again, a bit worse than the market—the Merrill Lynch government/corporate bond index earned 9.9% for the six months. But operators of the funds have to take a little out for themselves. Buyers of international funds did doubly well, thanks to a declining dollar and strong overseas markets.

Fueled by all this, net fund sales for the full year (excluding sales of money market and other short-term funds) reached an estimated $78 billion, triple the $26 billion of 1984.

Despite a year-end Dow that topped 1500, it was the bond and income funds that tempted investors—a sure sign that much of the money is com-

The recent winners

Stock and balanced funds

Strong foreign markets and a declining dollar recently gave the biggest gains to funds that invest abroad. Here are the top funds for the last half of 1985 from the stock and balanced funds in the performance update.

Fund	Six-month return
Oppenheimer AIM Fund	39.4%
T. Rowe Price International Fund	33.0
Scudder International Fund	32.1
United International Growth Fund	26.9
Dean Witter World Wide Invest	26.8
Trustees' Commingled-Intl Equity	23.5
Merrill Lynch International	23.0
New Perspective Fund	22.1
Alliance Technology	18.8
Sci/Tech Holdings	18.4

Source: CDA Investment Technologies

Bond & preferred stock funds

As interest rates sank, bond funds delivered capital gains. Here are the ten best performing bond and preferred stock funds (with assets of at least $100 million) for the second half of 1985.

Fund	Six-month return
Hutton Inv Series Bond	14.0%
Fidelity Thrift Trust	12.5
United Bond Fund	12.3
Paine Webber Fixed Inc-Invest Grade	11.8
IDS Selective Fund	11.7
Mass Financial Bond Fund	11.5
Bond Fund of America	11.5
IDS Bond Fund	11.3
Mass Financial High Income Trust	11.3
Van Kampen Merritt US Govt Fund	11.1

Source: CDA Investment Technologies

ing out of money market funds and bank products whose holders are reaching for yield now that short-term rates are not in the stratosphere. Net equity fund sales totaled $9.9 billion, less than 1983's record $13.2 billion. But, bond and income funds brought in $68.6 billion.

Is Lynch acting on his perception that the market is nearing the top? Yes, indeed. Among interest-sensitive securities, he reduced his position in bonds and utilities from 20% to 6%, and is buying savings and loans. One of Magellan's largest positions is in Federal National Mortgage Association, which could rake in big profits if interest rates hold steady. Lynch is cutting back on conservative brewing and food stocks, which had big runups, and is stocking up on cyclicals and on small-company stocks that haven't recovered from their 1983 collapse.

Lynch called the bull market right last year, and he might be right once more about the dangers of a coming blowout. Gotten any stock tips from taxi drivers yet? ■

Six-month performance update

This table covers the stock, bond and balanced funds with assets of $100 million or more that are tracked by CDA Investment Technologies. Performance is through Dec. 31, 1985; assets are as of Sept. 30, 1985.

Fund	Return* 6 mos	Return* 10 yrs (annualized)	Assets 9/30/85 (mil)
ABT Growth & Income	11.8%	13.8%	$ 107
Acorn Fund	9.4	23.7	269
Affiliated Fund	9.9	16.0	2,247
Age High Income Fund	6.6	12.5	208
Alliance Mortgage Secs Income Fund	7.1	NA	482
Alliance Technology	18.8	NA	127
Amcap Fund	11.0	21.8	1,132
American Balanced Fund	11.9	13.9	130
American Capital Comstock	5.3	22.4	755
American Capital Enterprise	9.0	17.8	528
American Capital Government Secs	8.2	NA	3,342
American Capital Harbor	8.0	17.0	188
American Capital High Yield Inv	10.4	NA	457
American Capital Pace	10.0	26.8	1,478
American Capital Venture	-1.8%	22.7%	$ 376
American Mutual Fund	12.3	18.9	1,326
Axe-Houghton Fund B	14.2	13.7	149
Babson Growth Fund	13.1	10.9	200
Bond Fund Of America	11.5	11.5	410
Boston Co Cap Appreciation	13.7	13.7	297
Bullock Dividend Shares	12.3	13.3	279
Bullock Growth Shares	9.8	13.8	134
Bullock High Income Shares	8.1	NA	125
Chemical Fund	15.2	11.2	609
Cigna Growth Fund	10.4	13.7	184
Cigna High Yield Fund	9.3	NA	125
Cigna Income Fund	11.0	10.3	205
Colonial Cap Appreciation	11.3	NA	257

*Total return including reinvested dividends through 12/31/85. NA Not available

Source: CDA Investment Technologies

Six-month performance update

Fund	Return* 6 mos	Return* 10 yrs (annualized)	Assets 9/30/85 (mil)
Colonial Corp Cash Trust I	4.4%	NA	$ 257
Colonial Corp Cash Trust II	2.5	NA	145
Colonial Fund	12.1	12.8%	101
Colonial Govt Securities Plus Trust	9.6	NA	1,662
Colonial High Yield Securities	9.3	11.4	113
Colonial Income Fund	9.7	10.1	143
Colonial Option Income-Port I	9.6	NA	1,338
Colonial Option Income-Port II	6.4	NA	173
Columbia Growth Fund	7.9	19.4	193
Criterion Bond-US Govt High Yld Tr	8.2	NA	565
Dean Witter Develop Grow Secs	6.0	NA	153
Dean Witter Dividend Grow Secs	12.4	NA	302
Dean Witter High Yield Secs	8.5	NA	586
Dean Witter World Wide Invest	26.8	NA	104
Decatur Income Fund	7.8	17.5	751
Delaware Fund	10.3	17.6	324
Dreyfus A Bonds Plus	10.8	NA	165
Dreyfus Fund	8.7	15.8	2,100
Dreyfus Growth Opportunity	17.7	16.0	376
Dreyfus Leverage Fund	12.2	17.8	409
Dreyfus Special Income Fund	12.8	12.6	109
Dreyfus Third Century Fund	10.2	17.7	150
Eaton Vance Investors Fund	9.4	15.2	208
Eaton Vance Tax-Managed Tr	17.4	NA	536
Energy Fund	7.9	15.7	334
Evergreen Fund	13.3	27.7	333
Evergreen Total Return	10.8	NA	176
Explorer Fund	9.0	20.4	330
Explorer II	5.6	NA	330
Federated GNMA Trust	9.6	NA	317
Federated High Income Secs Fund	7.8	NA	217
Federated Income Trust	6.6	NA	207
Federated Intermediate Govt Trust	6.5	NA	372
Federated Stock Trust	10.9	NA	214
Fidelity Corporate Bond Fund	10.2	9.7	201
Fidelity Destiny Fund	15.4	24.2	752
Fidelity Equity-Income Fund	9.3	22.6	672
Fidelity Exchange Fund	12.2	NA	123
Fidelity Freedom Fund	15.3	NA	512
Fidelity Fund	11.7	15.6	645
Fidelity Government Securities Fund	8.5	NA	151
Fidelity High Income Fund	10.0	NA	672
Fidelity Magellan Fund	17.2	33.9	2,962
Fidelity Mercury Fund	14.7	NA	129
Fidelity Mortgage Secs Fund	8.2	NA	222
Fidelity Puritan Fund	9.7%	17.1%	$1,092
Fidelity Qualified Dividend	6.2	NA	164
Fidelity Select-Health Care	8.5	NA	147
Fidelity Select-Prec Metals & Min	–17.3	NA	135
Fidelity Select-Technology	11.5	NA	375
Fidelity Thrift Trust	12.5	NA	219
Fidelity Trend Fund	10.9	13.4	601
Financial Industrial Fund	12.4	16.6	330
Financial Industrial Income	14.4	17.7	229
First Investors Bond Appreciation	7.5	NA	130
First Investors Fund For Income	8.3	12.1	1,251
First Investors Option Fund	5.2	NA	182
Founders Mutual Fund	15.1	11.9	138
FPA Paramount Fund	4.2	18.9	136
Franklin Custodian-Income	–0.3	16.5	104
Franklin Custodian-US Govt	9.2	7.7	6,459
Franklin Gold Fund	–15.7	14.3	109
FTP-Equity Portfolio Income	9.5	NA	281
FTP-Fixed Income Limited Portfolio	7.8	NA	231
Fund For US Govt Securities	6.5	8.8	393
Fund Of America	13.2	17.9	135
Fundamental Investors	15.0	14.6	395
Gintel Fund	9.9	NA	118
Growth Fund Of America	9.1	21.5	564
Guardian Mutual Fund	8.9	18.5	446
Hamilton Funds	9.4	10.4	207
John Hancock Bond Trust	10.7	9.0	941
John Hancock US Govt Secs Tr	9.3	10.1	129
Hutton Invest-Emerging Growth	10.1	NA	140
Hutton Investment-Growth	10.0	NA	790
Hutton Investment-Option Income	3.2	NA	139
Hutton Inv Series Bond	14.0	NA	202
IDS Bond Fund	11.3	10.3	1,370
IDS Discovery Fund	15.1	NA	257
IDS Equity Plus	13.5	13.0	306
IDS Extra Income Fund	8.6	NA	509
IDS Growth Fund	9.0	21.0	633
IDS Mutual	11.4	13.0	1,069
IDS New Dimensions Fund	9.3	18.6	404
IDS Progressive Fund	13.3	16.1	161
IDS Selective Fund	11.7	10.9	862
IDS Stock Fund	11.7	12.2	1,265
Income Fund Of America	8.0	15.8	361
International Investors	–10.0	16.9	765
Investment Co Of America	14.8	17.0	2,639

*Total return, including reinvested dividends, through 12/31/85. NA: Not available. *Source: CDA Investment Technologies*

Six-month performance update

Fund	Return* 6 mos	Return* 10 yrs (annualized)	Assets 9/30/85 (mil)
Investment Portfolio-Govt Plus	6.4%	NA	$954
Investment Port-Option Income	4.6	NA	108
ISI Trust Fund	7.3	9.2%	105
Janus Fund	9.5	20.6	387
Kemper Growth Fund	10.4	18.5	247
Kemper High Yield Fund	8.5	NA	228
Kemper Inc & Cap Preservation Fund	8.2	NA	134
Kemper Option Income Fund	5.8	NA	765
Kemper Summit Fund	8.9	20.9	191
Kemper Total Return Fund	10.3	18.3	330
Kemper US Govt Secs	9.7	NA	814
Keystone B-2	9.9	11.9	232
Keystone B-4	8.8	12.7	760
Keystone Custodian K-1	6.4	12.7	284
Keystone Custodian K-2	15.7	11.9	202
Keystone Custodian S-3	7.6	14.3	191
Keystone Custodian S-4	9.2	17.1	573
Legg Mason Value Trust	11.8	NA	314
Lehman Capital Fund	7.1	NA	106
Lehman Investors Fund	12.4	15.5	353
Lexington Research Fund	9.9	14.1	101
Lindner Fund	6.2	NA	390
Loomis-Sayles Capital Development	12.0	22.7	149
Lord Abbett Bond Debenture Fund	6.9	12.8	274
Lord Abbett Developing Growth	7.2	NA	262
Lord Abbett Value Appreciation	15.9	NA	258
Manhattan Fund	13.0	16.2	100
Mass Capital Development Fund	7.3	23.0	716
Mass Financial Bond Fund	11.5	10.4	261
Mass Financial Development Fund	9.8	16.8	191
Mass Financial Emerging Growth	8.1	NA	175
Mass Financial High Income Tr	11.3	NA	493
Mass Income Development Fund	11.5	14.5	204
Mass Investors Growth Stock Fund	9.9	13.2	811
Massachusetts Investors Trust	12.7	12.9	1,037
Mathers Fund	10.0	19.6	163
Merrill Lynch Basic Value Fund	10.3	NA	433
Merrill Lynch Capital Fund	10.0	NA	367
Merrill Lynch Corp Bond-High Inc	7.7	NA	298
Merrill Lynch Corp Bond-High Qual	9.7	NA	135
Merrill Lynch Corp Dividend Fund	6.0	NA	129
Merrill Lynch Federal Secs Tr	8.3	NA	4,092
Merrill Lynch Fund For Tomorrow	5.6	NA	263
Merrill Lynch International	23.0	NA	203
Merrill Lynch Pacific Fund	16.3	NA	140

Fund	Return* 6 mos	Return* 10 yrs (annualized)	Assets 9/30/85 (mil)
WL Morgan Growth Fund	15.5%	16.7%	$545
Mutual Qualified Income Fund	12.4	NA	344
Mutual Shares	11.7	24.4	894
Nationwide Fund	15.5	12.1	255
National Federal Securities Tr	6.8	NA	406
National Securities Bond	10.4	10.8	350
National Stock Fund	12.9	15.1	220
National Total Return Fund	8.8	18.2	167
NEL Growth Fund	9.5	21.9	196
New Economy Fund	15.0	NA	438
New Perspective Fund	22.1	17.0	673
New York Venture Fund	14.5	20.9	108
Nicholas Fund	6.1	23.9	557
Nicholas II	8.1	NA	140
Northeast Investors Trust	10.2	11.2	218
Oppenheimer AIM Fund	39.4	17.2	232
Oppenheimer Directors Fund	9.6	NA	273
Oppenheimer Equity Income	12.1	19.0	157
Oppenheimer Fund	12.5	11.5	237
Oppenheimer High Yield Fund	8.6	NA	483
Oppenheimer Premium Inc Fund	9.7	NA	344
Oppenheimer Regency Fund	9.7	NA	131
Oppenheimer Special Fund	8.7	21.3	728
Oppenheimer Target Fund	14.6	NA	112
Oppenheimer Time Fund	11.7	21.5	190
Over-the-Counter Securities Fund	11.3	24.6	121
Paine Webber Fixed Inc-GNMA	10.0	NA	1,171
Paine Webber Fixed Inc-Invest Grade	11.8	NA	157
Partners Fund	10.7	21.5	229
Penn Square Mutual Fund	12.4	14.9	174
Pennsylvania Mutual Fund	10.9	24.5	287
Philadelphia Fund	8.9	15.8	103
Phoenix Growth Fund	12.2	17.3	105
Pilgrim Adjustable Rate	3.9	NA	830
Pioneer Fund	5.9	15.8	1,306
Pioneer II	11.9	24.0	1,875
Pioneer Three	10.1	NA	369
T Rowe Price Growth Stock Fund	15.3	10.0	993
T Rowe Price Growth & Inc Fd	9.6	NA	326
T Rowe Price International Fund	33.0	NA	285
T Rowe Price New Era Fund	10.7	16.1	473
T Rowe Price New Horizon Fund	9.0	17.5	1,252
T Rowe Price New Income Fund	8.9	10.5	842
Prudential-Bache Equity Fund	13.3	NA	166
Pru-Bache Govt Secs-Inter Term	7.1	NA	191

*Total return, including reinvested dividends, through 12/31/85. NA: Not available.

Source: CDA Investment Technologies

Six-month performance update

Fund	Return* 6 mos	Return* 10 yrs (annualized)	Assets 9/30/85 (mil)
Prudential-Bache High Yield Fund	7.6%	NA	$ 407
Prudential-Bache Research Fund	12.4	NA	146
Prudential-Bache Utility Fund	9.8	NA	247
Putnam Corporate Cash ARP	4.2	NA	509
Putnam Convertible Income-Gr Tr	9.0	NA	202
Putnam Corporate Cash DSP	4.8	NA	146
Putnam Fund For Growth & Income	12.8	16.4%	845
Putnam Health Sciences Trust	8.8	NA	220
Putnam High Income Gov Tr	9.4	NA	813
Putnam High Yield Tr	9.5	NA	1,372
Putnam Income Fund	8.5	11.1	167
Putnam Information Sciences Tr	9.2	NA	145
Putnam Investors Fund	9.4	15.0	932
Putnam Option Income Trust	8.4	NA	1,102
Putnam Option Income Trust II	5.6	NA	277
Putnam US Govt Guaranteed Secs	6.8	NA	402
Putnam Vista Fund	8.0	18.3	161
Putnam Voyager Fund	12.1	19.1	250
George Putnam Fund of Boston	12.3	13.7	292
Sci/Tech Holdings	18.4	NA	284
Scudder Capital Growth Fund	10.6	NA	303
Scudder Development Fund	5.8	19.8	218
Scudder Growth & Income Fund	10.8	14.3	257
Scudder Income Fund	8.8	10.2	154
Scudder International Fund	32.1	13.8	323
Security Equity Fund	10.9	16.8	232
Security Investment Fund	5.4	14.6	100
Selected American Shares	13.2	14.2	101
Seligman Capital Fund	5.8	19.9	154
Seligman Common Stock Fund	13.0	16.2	409
Seligman Growth Fund	8.5	12.9	553
Sentinel Common Stock Fund	11.2	16.4	355
Sequoia Fund	6.5	25.8	544
Shearson Appreciation Fund	13.1	19.5	149
Shearson Fundamental Value Fund	5.8	NA	114
Shearson High Yield Fund	8.4	NA	277
State Farm Growth Fund	16.7	18.1	195
State Street Growth Fund	11.0	NA	220
State Street Investment Corp	11.3	15.0	483
SteinRoe Bond Fund	10.4	NA	142
Stein Roe & Farnham Cap Oppor	6.3	17.8	153
Stein Roe & Farnham Stock Fund	5.6	12.9	200
SteinRoe Special Fund	9.7	43.8	229
SteinRoe Total Return Fund	8.5	10.7	108
Strong Investment Fund	9.7	NA	201
Strong Total Return Fund	13.1%	NA	$ 189
Sunbelt Growth Fund	3.0	NA	117
Technology Fund	11.4	16.0%	614
Templeton Global I	10.3	NA	258
Templeton Global II	10.3	NA	293
Templeton Growth Fund	11.6	20.5	1,170
Templeton World Fund	12.2	NA	2,276
Thomson McKinnon Income Fund	7.3	NA	186
Trustees' Commingled-Intl Equity	23.5	NA	551
Trustees' Commingled-US Equity	7.6	NA	200
Tudor Fund	11.9	21.7	124
20th Century Growth Investors	13.3	28.6	719
20th Century Select Investors	10.8	27.3	1,049
20th Century Ultra Investors	6.9	NA	374
United Accumulative Fund	6.5	15.9	531
United Bond Fund	12.3	10.4	319
United High Income Fund	8.7	NA	827
United Income Fund	14.2	14.5	556
United International Growth Fund	26.9	16.3	118
United Science & Energy Fund	13.0	13.1	152
United Services-Gold Shares Fund	–30.4	11.2	276
United Services-Prospector Fund	1.9	NA	115
United Vanguard Fund	10.0	20.8	387
USAA Mutual-Growth Fund	4.7	10.4	145
USAA Mutual-Income Fund	7.9	NA	139
USAA Mutual-Sunbelt Era Fund	2.9	NA	109
Value Line Fund	8.9	18.8	173
Value Line Income Fund	8.2	17.5	118
Value Line Leveraged Gr Investors	5.0	24.2	197
Value Line Special Situations	8.1	19.6	204
Van Kampen Merritt US Govt Fund	11.1	NA	1,090
Vanguard Fixed Income Secs-GNMA	9.7	NA	744
Vanguard Fixed Inc Secs-Hi Yld	9.1	NA	452
Vanguard Fixed Inc Secs-Inv Grade	9.9	10.5	207
Vanguard Index Trust	4.9	NA	342
Vanguard Qualified Dividend Port I	12.2	22.6	150
Vanguard Qualified Div Port III	2.7	NA	168
Washington Mutual Inv Fund	12.5	17.4	761
Weingarten Equity Fund	7.1	23.5	133
Wellesley Income Fund	10.0	14.0	169
Wellington Fund	11.1	14.6	714
Windsor Fund	9.9	21.2	3,644
Windsor II	9.6	NA	108
Yes Fund	2.5	NA	170

*Total return, including reinvested dividends, through 12/31/85. NA Not available.

Source: CDA Investment Technologies

The red metal is selling below its cost of production. So what's new? But there are interesting reasons now for a rally.

COPPER-PLATED BULL

By Stanley W. Angrist

Every year about this time I take a look at the copper market, and after analyzing the available data, I generally come out with a bullish recommendation for the red metal. It's no different this year. (Be forewarned. In the past, most of my bullish suggestions in copper have been losers. But, sooner or later, I have to be right.)

The first bits of data that caught my eye are the declines in copper stocks over the past two years *(see table)*. Since January 1984 copper stocks at the warehouses of the Commodity Exchange of New York are down 70%, and they have dropped 56% at the London Metal Exchange's warehouses; total stocks are down about 56%. Primarily because of the high value of our currency, copper prices are as low today as they were two years ago, despite the reduced stocks.

Just because the current price is around 64 cents per pound, which is below the cost of production everywhere in the world except Chile, do not think that the price must rise. Copper prices have been below that cost, on and off, for years. Countries like Chile, Zambia and Zaire will produce and sell copper—no matter what its price—as a means of raising hard currency. There is no such thing as a bankruptcy price that will drive them out of business. However, such prices do influence U.S. and Canadian producers.

Worldwide, production in 1985 was expected to increase by 1%, while U.S. production is expected to reach an 18-year low. Current domestic production capacity utilization is at about 59%. It is believed production will not increase substantially until prices reach about 80 cents.

The other factor that pushes me toward a bullish position in copper is its seasonal tendency. As the chart shows, the price of copper usually reaches its low in the fall and rises steadily as spring approaches. I would not base a trade solely on seasonal tendencies but it certainly should be factored into the decision-making process.

Given the stocks situation, the cutback in U.S. production and the seasonal propensity of copper, I feel fairly comfortable recommending a long position. I would try to buy the May contract under 65 cents per pound, risking no more than 3 cents ($750) on the trade. Look for an 8-cent profit ($2,000). The margin on a single contract is $1,000, while the commission would be about $25 at a discount broker. Less risk-oriented investors might try a bull spread of long May/short December, with the December carrying at least an 60-point premium to the May. I would risk only 100 points on this trade ($250 per spread). I would look for May to move to an 80-point premium to the December, for a 140-point gain, or a profit of $350 per spread. The margin on a spread trade is $200, while commissions would be about $40. ■

Stanley W. Angrist is a commodity speculator, consultant and longtime observer of the commodity markets.

Vanishing act

It is fairly easy to keep track of a substantial portion of the world's copper stocks by looking at what is stored at the Comex and LME warehouses; together they make up about 50% of the Free World's inventories. The "other" category includes stocks stored at producers and consumers, as well as government supplies. All data are in thousands of short tons. The sharp drop in worldwide warehouse stocks could have bullish implications.

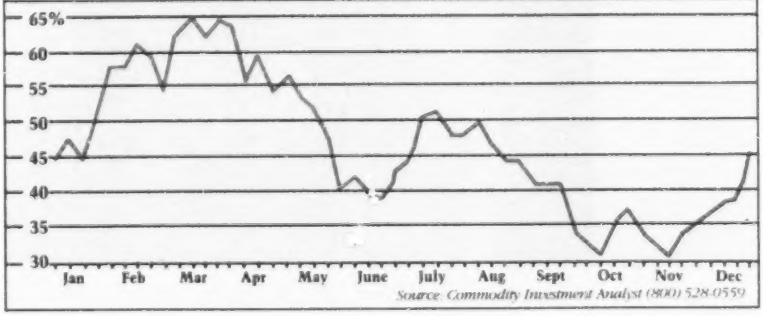
Date	Comex	LME	Other*	Total
January 1984	417.7	468.9	358.5	1,245.1
July 1984	335.6	211.7	377.7	925.0
January 1985	258.2	128.3	319.5	706.0
June 1985	186.4	126.0	208.3	520.7
December 1985	121.6	202.5	220.2†	544.3

*U.S. Bureau of Mines. †Estimated.

Shelley Dell

If winter come. . .

Over the past ten years copper prices have tended to rise from fall into spring. The vertical scale represents the ten-year average of where the price of copper was for each week relative to its decade-long low (0%) and its high (100%).



Source: Commodity Investment Analyst (800) 528-0559